EXHIBIT E

Puerto Rico Infrastructure Financing Authority Basic Financial Statements and Required Supplementary Information, Fiscal Year Ended June 30, 2015

Puerto Rico Infrastructure Financing Authority

(A Component Unit of the Commonwealth of Puerto Rico)

Basic Financial Statements
and Required Supplementary Information
For the Fiscal Year Ended June 30, 2015

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PUERTO RICO INFRASTRUCTURE FINANCING AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)
Basic Financial Statements, and Required Supplementary Information
For the Fiscal Year Ended June 30, 2015

Table of Contents | **Pages**

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of the
Puerto Rico Infrastructure Financing Authority:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Puerto Rico Infrastructure Financing Authority, a Component Unit of the Commonwealth of Puerto Rico, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Puerto Rico Infrastructure Financing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Basis for Qualified Opinions

The Puerto Rico Infrastructure Financing Authority's full time employees participate in a cost-sharing defined benefit program, which is administered by the Employee Retirement System, a Statutory Trust and Component Unit of the Commonwealth of Puerto Rico. The Puerto Rico Infrastructure Financing Authority was required to implement GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment to GASB Statement No. 27, effective June 30, 2015. However, the information necessary to adopt GASB Statement No. 68, including the proportionate share of the collective net pension liability, pension expense, and the corresponding deferred inflows and deferred outflows of resources as of June 30, 2015 are still being evaluated by the Employee Retirement System and the Commonwealth of Puerto Rico. Consequently, the accompanying financial statements do not contain any adjustments that may be necessary, neither the disclosures and supplementary information required by GASB Statement No. 68.

Opinions

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinions paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the Puerto Rico Infrastructure Financing Authority as of June 30, 2015 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matters

As of June 30, 2015, the Authority's government-wide statement of net position (deficit) reflect a net deficit of approximately $1.9 billion in its governmental activities. Such deficit is mostly attributed to the recognition of certain liabilities, including bonds payable aggregating approximately $2.2 billion, that are not payable with current expendable resources. As described in Note 4, this situation occurs because the Authority's normal operations is to acquire and/or construct capital assets that will be transferred to the Commonwealth's agencies or other Component Units. The acquisition is mainly conducted through the issuance of long term obligations that will be funded by the Commonwealth with future appropriations. Accordingly, the Authority is completely dependent from the Commonwealth to effectively reverse its deficit position. However, as described in Note 24, on December 1, 2015, the Governor of the Commonwealth of Puerto Rico signed Executive Order No. OE-2015-46 (the "Executive Order"), which provides that the Commonwealth will redirect certain revenues in light of recently revised revenues estimates and its deteriorating liquidity situation. Pursuant to the Executive Order, certain available revenue that have been budgeted to pay debt service on the debt of the Authority were redirected, pursuant to the constitutional requirements (the clawback provision), to pay debt issued or guaranteed by the Commonwealth. The Secretary of the Treasury has retained, for the application to payments due on the Commonwealth's public debt, approximately $113 million assigned to pay debt of the Authority, which by law, constitute "available resources" subject to the Commonwealth's priority provision set forth in the Constitution. As a result, the Authority did not transfer sufficient funds to the Trustee to make the $35.9 million in interest payment in full in respect of the January 1, 2016 payment date for its outstanding Series 2005A-C and Series 2006 Special Tax Revenue Bonds. The provision of the Executive Order creates a high level of uncertainty as to the ability of the Authority to satisfy future obligations as they become due. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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In addition, as described in Note 24, the annual budget submitted by the Legislature of Puerto Rico for fiscal year 2016 did not appropriate funds for the payment the PFC bonds. Due to the non-appropriation of funds for the payment of the Bonds in the annual budget for fiscal year 2016, none of the payments on the Notes, nor the corresponding payment on the PFC Bonds, that have come due and payable this fiscal year have been made in full. As publically disclosed by GDB and PFC following the approval of the annual budget for fiscal year 2016, the non-appropriation of the necessary funds to make the payments on PFC Bonds reflects the reality of the Commonwealth's current liquidity situation and fiscal challenges, in combination with the balance of the Commonwealth's obligations to its creditors and the equally important obligations to the citizens of Puerto Rico to ensure the provisions of essential services. GDB is unaware of any claims being asserted by holders of the PFC Bonds or the PFC Bonds trustee under the governing agreement and/or the Notes in connection with the missed payments on the PFC Bonds. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Juan, Puerto Rico
April 15, 2016

Stamp No. E217647 was affixed
to the original of this report.

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This section presents a narrative overview and analysis of the financial performance of the Puerto Rico Infrastructure Financing Authority (the Authority) and is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual issues or concerns. The information presented here should be read in conjunction with the basic financial statements, including the notes thereto.

1. FINANCIAL HIGHLIGHTS

- During the year ended June 30, 2015, the restricted investment in bonds of Puerto Rico Sales Tax Financing Corporation (COFINA, for its acronym in Spanish) reported a net decrease in market value of approximately $84 million.

- World Plaza Building Fund, which in prior year was presented within the general fund, at the beginning of fiscal year 2015, began to be reported as a proprietary fund. (See note 3, in the accompanying financial statements for further details and impact of change in reporting entity).

- Capital assets increased approximately $22.4 million primarily due to construction projects executed through the "Paseo Puerta de Tierra" and "Malecones y Poblados" infrastructure programs, which are financed with legislative appropriations from the Commonwealth of Puerto Rico.

- Liabilities net increase of approximately $177.8 million was primarily due to the issuance of Dedicated Tax Fund Revenue Anticipation Notes, Series 2015 A, in the aggregated principal amount of approximately $246 million during the fiscal year ended June 30, 2015.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is required supplementary information to the basic financial statements and is intended to serve as an introduction to the basic financial statements of the Authority. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and, (3) notes to the basic financial statements.

Government-wide Financial Statements - The government-wide financial statements provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. The statements provide both short and long-term information about the Authority's financial position, which assists in assessing the Authority's economic condition at the end of the fiscal year. These are prepared using the economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by private nongovernmental organizations. They take into account all revenue and expenses connected with the fiscal year even if cash involved has not been received or paid.

The government-wide financial statements include two statements:

- ***Statement of Net Position (Deficit)*** - This statement presents all of the government's assets, liabilities and deferred outflows and inflows of resources. Net position (deficit) is the difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in the Authority's net position (deficit) may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

- ***Statement of Activities*** - This statement presents information showing how the Authority's net position (deficit) changed during the most recent fiscal year. All changes in net position (deficit) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

These financial statements present the following columns segregated by activities:

- ***Governmental Activities*** - These activities are mostly supported by intergovernmental revenue (Contributions from the Commonwealth of Puerto Rico). Most services normally associated with the Authority fall into general government, economic development, education, aqueduct and sewers, transportation, recreation and sports, and arts and entertainment.

- ***Business Type Activities*** - These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business type activities of the Authority include the operations of the World Plaza Building.

The government-wide financial statements can be found immediately following this Management's Discussion and Analysis.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority has two types of funds: Governmental Funds and Proprietary Funds. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of financial decisions related to the Authority's governmental activities. Both, the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental Funds Financial Statements - The Authority has four major governmental funds. That is, each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances (deficit). The Authority's four major governmental funds are:

- General Fund
- ARRA Fund
- Capital Projects Fund
- Debt Service Fund

Proprietary Funds Financial Statements - These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The basic proprietary funds financial statements can be found immediately following the governmental fund financial statements.

Notes to the Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements and the fund financial statements.

3. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Governmental entities are required by accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standard Board (GASB), to report on their net position (deficit). The Statement of Net Position (Deficit) presents the value of all of the Authority's assets and deferred outflow of resources, and liabilities and deferred inflow of resources, with the difference between them reported as net position (deficit).

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Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2015

The following was derived from the Statement of Net Position (Deficit) as of June 30, 2015 and 2014:

	Governmental Activities				Business Type Activities			
	2015	2014 (As Restated)	Change	Percentage	2015	2014 (As Restated)	Change	Percentage
Assets:								
Current assets	$ 12,197,654	$ 9,532,645	$ 2,665,009	28.0%	$ 3,533,135	$ 4,784,693	$ (1,251,558)	-26.2%
Capital assets, net	34,207,546	12,533,015	21,674,531	172.9%	26,537,486	25,807,288	730,198	2.8%
Noncurrent assets	301,414,260	381,374,973	(79,960,713)	-21.0%	-	-	-	0.0%
Total assets	347,819,460	403,440,633	(55,621,173)	-13.8%	30,070,621	30,591,981	(521,360)	-1.7%
Deferred outflow of resources	47,239,568	50,873,735	(3,634,167)	-7.1%		-	-	0.0%
Liabilities:								
Liabilities due within one year	$ 278,027,904	$ 166,189,899	$ 111,838,005	67.3%	$ 3,980,949	$ 2,859,145	$ 1,121,804	39.2%
Liabilities due after one year	1,999,690,227	1,934,920,684	64,769,543	3.3%	37,361,150	37,361,150	-	0.0%
Total liabilities	2,277,718,131	2,101,110,583	176,607,548	8.4%	41,342,099	40,220,295	1,121,804	2.8%
Net position / deficit:								
Net investment in capital assets	34,207,546	4,533,015	29,674,531	654.6%	(2,823,664)	(3,553,862)	730,198	-20.5%
Restricted for:								
Debt Service	150,319,304	117,820,011	32,499,293	27.6%	-	-	-	0.0%
Other purposes	50,827,736	134,843,851	(84,016,115)	-62.3%	-	-	-	0.0%
Unrestricted / (Deficit)	(2,118,013,689)	(1,903,993,092)	(214,020,597)	11.2%	(8,447,814)	(6,074,452)	(2,373,362)	39.1%
Total deficit	$ (1,882,659,103)	$ (1,646,796,215)	$ (235,862,888)	14.3%	$ (11,271,478)	$ (9,625,314)	$ (1,643,164)	17.1%

In overall, the Authority's deficit increased by approximately $236 million, or 14.3%, mainly as a result of a decrease in the market value of COFINA Bonds (approximately $84 million) and the net effect of the issuance of Dedicated Tax Fund Revenue Anticipations Notes, Series 2015A, of approximately $246 million and the payment of principal of outstanding bonds and notes during the current fiscal year.

Total assets of governmental activities decreased by approximately $55.6 million, or 13.8%, mainly driven by an unrealized loss of the investment in COFINA Bonds of approximately $84 million and the increase in capital assets of approximately $21.6 million mainly due to construction in progress and other increases in noncurrent assets such as cash and cash equivalents (approximately $10 million) and amount due from the Commonwealth of Puerto Rico (approximately $12 million).

The deficit in business-type activities increased by approximately $1.6 million, or 17.1%, from approximately $9.6 million in 2014 (as restated) to approximately $11.3 million in 2015. The decrease in net deficit for business-type activities was caused primarily by the net effect of accrued interest expense (approximately $2.3 million) and revenues of contribution received from the Capital Project Fund (approximately $473 thousand).

Condensed program net revenues or expenses and changes in net position (deficit) are presented below:

	Governmental Activities				Business-Type Activities			
	2015	2014 *(As Restated)*	Change	Percentage	2015	2014 *(As Restated)*	Change	Percentage
Revenues:								
Program revenues								
Operating grants and contributions	$ 180,416,453	$ 123,043,466	$ 57,372,987	46.6%	$ 1,063,295	$ -	$ 1,063,295	100.0%
Charges for services	2,734,414	2,783,562	(49,148)	-1.8%	2,566,777	2,002,740	564,037	28.2%
Losses on investments	(84,016,115)	$ (90,256,480)	6,240,365	-6.9%		-	-	-
General revenues -								
Investment earnings	298,237	287,389	10,848	3.9%	3,839	2,958	881	29.8%
Total revenues	99,432,989	35,857,937	63,575,052	177.3%	3,533,911	2,005,698	1,628,213	81.2%
Expenses:								
Functions/Programs:								
General government	3,540,318	5,032,404	(1,492,086)	-29.6%	-			0.0%
Contribution to Puerto Rico Highway and Transportation Authority	227,670,000	-	227,670,000	100.0%	-			0.0%
Education, aqueduct and sewers, and transportation	1,317,422	1,008,681	308,741	30.6%	-		-	0.0%
Economic development program	3,131,014	4,713,018	(1,582,004)	-33.6%				0.0%
Recreation and sports	500,014	287,615	212,399	73.8%	-			0.0%
Arts and entertainment	155,756	426,517	(270,761)	-63.5%	-	-	-	0.0%
Weatherization program	11,842	457,497	(445,655)	-97.4%	-	-	-	0.0%
Interest on long-term debt	98,496,134	88,151,634	10,344,500	11.7%	-	-	-	0.0%
World Plaza Building	-	-	-	0.0%	5,750,452	8,660,172	(2,909,720)	-33.6%
Total expenses	334,822,500	100,077,366	234,745,134	234.6%	5,750,452	8,660,172	(2,909,720)	-33.6%
Decrease in net position before transfers	(235,389,511)	(64,219,429)	(171,170,082)	266.5%	(2,116,541)	(6,654,474)	4,537,933	-68.2%
Transfers	(473,377)	-	(473,377)	100.0%	473,377	-	473,377	100.0%
Beginning deficit, as restated	(1,646,796,215)	(1,582,576,786)	(64,219,429)	4.1%	(9,628,314)	(2,973,840)	(6,654,474)	223.8%
Ending deficit	$ (1,882,659,103)	$ (1,646,796,215)	$ (235,862,888)	14.3%	$ (11,271,478)	$ (9,628,314)	$ (1,643,164)	17.1%

Governmental Activities

Revenues - Program revenues increased approximately $63.5 million or 177% mainly because contributions from the Commonwealth of Puerto Rico increased by approximately $52 million particularly to finance infrastructure projects and repay interest expense of the Dedicated Tax Fund Revenue Anticipation Notes, Series 2015A, issued on behalf of Puerto Rico Highway and Transportation Authority (PRHTA) during the fiscal year 2015. In addition, the restricted investment in COFINA's bonds experienced a loss of approximately $84 million. In 2014 this investment experienced a loss of approximately $90 million.

Expenses - Total expenses increased approximately $234.7 million mainly due to the contribution of approximately $227.7 million to the PRHTA, which were used to repay in full an outstanding note payable in March 2015

Business-type Activities

Revenues - Revenues increased approximately $1.6 million or 81.2%, mainly due to the increase in occupancy during the current year and a contribution from the Commonwealth of Puerto Rico by approximately $1.06 million.

Expenses - Total expenses decreased approximately $2.9 million, due to a decrease in interest expenses in comparison with prior year.

4. GOVERNMENTAL FUNDS RESULTS

General Fund - Total assets in the general fund decreased approximately $92 million as a direct result of the negative investment yield of the restricted nonspendable investments that had a market value of approximately $135 million in 2014, to approximately $51 million in 2015. This reduction results from the effect of the overall municipal market negative valuation of COFINA Bonds. Other assets and the liabilities remained similar in 2015 when compared to 2014. The fund balance decreased from approximately $139 million to approximately $56 million, or 40%, specifically due to the decrease in the valuation of the investment.

Revenues in the general fund increased from approximately $29.4 million to approximately $33.5 million directly by the effect of the valuation of the nonspendable investment. Investment loss during 2014 was approximately $90.3 million, while in 2015, there was a net investment loss of approximately $84 million, for a total net decrease of approximately $6.3 million. General government expenditures decreased from approximately $6.3 million in 2014 to approximately $3.5 million in 2015, or 45%, due to cost control measures implemented for the administrative and operating expenses of the Authority. Also, in this fiscal year, the Authority contributed approximately $227.7 million to the PRHTA as explained in more detail in the expenses section of the Government-wide financial analysis included in this Management's Discussion and Analysis.

ARRA Fund - The ARRA federal program reached its sunset date during 2012. During recent years its activities were very limited. During the year ended June 30, 2015, the operations were limited to oversight and monitoring works as established by Act No. 8 of 2009.

Capital Projects Fund - Total assets decreased from approximately $116 in 2014 million to approximately $84.6 million in 2015, or 27%. This reduction is in line with the reduction of accounts receivable of approximately $10.5 million. This reduction relates to the amounts that are receivable from the different Commonwealth agencies for which the Authority carries out construction of facilities that are later transferred to these entities. In line with this reduction, total liabilities also decreased from approximately $77 million in 2014 to approximately $54.1 million in 2015, for a net decrease of approximately $22.8 million, or 30%. Total revenue increased from approximately $5 million in 2014 to approximately $19 million in 2015, for an increase of approximately $14 million, or 278%, mainly driven by an increase in contribution from the Commonwealth of Puerto Rico from approximately $4.8 million in 2014 to approximately $18.8 million in 2015. This increase resulted because some infrastructure programs funded by the Commonwealth of Puerto Rico started or were in progress during the fiscal year.

Debt Service Fund - Total assets increased from approximately $78.8 million in 2014 to approximately $119.8 million in 2015, resulting in an increase of approximately $41 million, or 52%. The increase is directly related to funds received, or to be received, from the Commonwealth of Puerto Rico as contributions to be used to repay principal of and interest on the Dedicated Tax Fund Revenue Anticipation Note, Series 2015A, when due.

5. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Non-depreciable capital assets represent construction work in progress, including land in which infrastructure projects are or will be developed. Depreciable assets include furniture and equipment, vehicles and building. The following is a schedule of the Authority's capital assets activity:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014 (as restated)	2015	2014 (as restated)	2015	2014 (as restated)
Land	$ 6,868,327	$ 7,451,515	$ 4,438,534	$ 4,438,534	$ 11,306,861	$ 11,890,049
Construction in progress	27,286,847	5,006,659	1,184,355	-	28,471,202	5,006,659
Building	-	-	22,561,474	22,561,474	22,561,474	22,561,474
Building improvements	-	-	99,802	-	99,802	-
Furniture and equipment	1,029,142	1,010,618	235,594	180,941	1,264,736	1,191,559
Vehicles	57,692	57,692	-	-	57,692	57,692
Total capital assets	35,242,008	13,526,484	28,519,759	27,180,949	63,761,767	40,707,433
Less accumulated depreciatic and amortization	1,034,462	993,469	1,982,273	1,373,661	3,016,735	2,367,130
Capital assets - net	$ 34,207,546	$ 12,533,015	$ 26,537,486	$ 25,807,288	$ 60,745,032	$ 38,340,303

Overall capital assets change of approximately $22.3 million was driven by an increase in construction work in process of approximately $23.5 million due to the progress of infrastructure projects and building improvements financed by legislative appropriations and own revenues, respectively, during the year ended June 30, 2015.

Debt Outstanding

As of June 30, 2015, the Authority had approximately $2,213 million in long-term liabilities, mainly composed of approximately $2,152 million of bonds payable, net of premiums and discounts. Total long-term liabilities include bonds and loans payable, liability of legal matters, termination benefits, and accrued compensated absences. In overall, long-term debt increased by approximately $203 million, as a result of the net effect of approximately $246 million of bond issued and loans used, the repayment of approximately $38 million of bonds, and the net effect of the discount accretion and amortization of premiums of approximately $5 million.

6. Currently Known Facts

PFC Notes

The Authority defaulted in the principal and interest payments due during fiscal year 2016 on the PFC Notes described in Note 12 due to a non-appropriation of funds for the payment in the annual budget of the Commonwealth. (See Note 24 for further details).

Investments

On July 1, 2015, Moody's Investors Service lowered its rating on the investments held by the Authority in GDB senior notes from Caa2 to Caa3 with a negative outlook.

On July 14, 2015, Standard & Poor's Investor Services (S&P) lowered its rating on the investments held by the Authority in GDB senior notes from CCC- to CC and COFINA subordinate-lien bonds from A+ to CCC-. In addition, on September 10, 2015 S&P lowered its rating on the Commonwealth's tax-backed from CCC- to CC.

Executive Order

On December 1, 2015, the Governor signed Executive Order No. OE-2015-46, which provides that the Commonwealth will begin to redirect certain revenues of the Authority that have been budgeted to pay debt service of certain debt of the Authority to pay debt issued or guaranteed by the Commonwealth. (See Note 24 for further details).

Default

Due to the implementation of the Executive Order mentioned above the Authority did not transfer sufficient funds to the Trustee to make the $35.9 million in interest payment in full in respect of the January 1, 2016 payment date for its outstanding bonds. (See Note 24 for further details).

Downgrade

On January 5, 2016, Standard & Poor's Rating Services lowered its rating on the Authority bonds secured by federal rum taxes (See note 24 for further details).

7. REQUEST FOR INFORMATION

This financial report is designed to provide all interested with a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Puerto Rico Infrastructure Financing Authority, PO Box 41207, Minillas Station, San Juan, PR 00940.

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Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Position (Deficit)
June 30, 2015

	Governmental Activities	Business-type activities	Total
ASSETS:			
Cash and cash equivalents	$ 3,608,990	$ 2,382,308	$ 5,991,298
Accounts receivable, net	288,099	990,690	1,278,789
Due from Commonwealth of Puerto Rico	8,114,580	-	8,114,580
Internal balances	84,473	(84,473)	-
Prepaid expenses and other assets	101,512	244,610	346,122
Due from Government Development Bank for Puerto Rico	21,662	-	21,662
Restricted assets:			
Cash and cash equivalents	173,383,388	-	173,383,388
Accrued interest receivable	4,972	-	4,972
Investments and investment contracts	54,593,944	-	54,593,944
Due from Commonwealth of Puerto Rico	16,421,256	-	16,421,256
Due from Municipality of San Juan	381,956	-	381,956
Due from Other Governmental Entities	20,207,082	-	20,207,082
Net investment in direct financing lease	36,400,000	-	36,400,000
Capital assets, net:			
Non-depreciable:			
Land	6,868,327	4,438,534	11,306,861
Construction in progress	27,286,847	1,184,355	28,471,202
Depreciable, net	52,372	20,914,597	20,966,969
Total assets	347,819,460	30,070,621	377,890,081
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on debt refunding	47,239,568	-	47,239,568
Total deferred outflows of resources	47,239,568	-	47,239,568
LIABILITIES AND NET POSITION / (DEFICIT)			
Liabilities:			
Accounts payable and accrued expenses:			
Due in one year	1,285,949	600,061	1,886,010
Due in more than one year	7,768,033	-	7,768,033
Liabilities payable from restricted assets:			
Accounts payable and accrued expenses	59,681,507	-	59,681,507
Accrued interest payable	39,214,762	3,380,888	42,595,650
Due to the Commonwealth of Puerto Rico	1,810,325	-	1,810,325
Bonds and loans payable:			
Due in one year	175,994,254	-	175,994,254
Due in more than one year	1,991,963,301	37,361,150	2,029,324,451
Total liabilities	2,277,718,131	41,342,099	2,319,060,230
NET POSITION (DEFICIT):			
Net investment in capital assets	34,207,546	(2,823,664)	31,383,882
Restricted for:			
Debt service	150,319,304	-	150,319,304
Other purposes	50,827,736	-	50,827,736
Unrestricted	(2,118,013,689)	(8,447,814)	(2,126,461,503)
TOTAL NET POSITION (DEFICIT)	$ (1,882,659,103)	$ (11,271,478)	$ (1,893,930,581)

The accompanying notes are an integral part of this basic financial statement

RSM

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Activities
June 30, 2015

		Program Revenues			Net (expense) revenue and changes in net position / (deficit)		
FUNCTIONS / PROGRAMS	Expenses	Operating Grants and Contributions	Charges for Services	Loss on Investment	Governmental Activities	Business - Type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General government	$ 3,540,318	$ 180,416,138	$ 2,734,414	$ (84,016,115)	$ 95,594,119	$ -	$ 95,594,119
Contribution to Puerto Rico Highway and Transportation Authority	227,670,000	-	-	-	(227,670,000)	$ -	(227,670,000)
Education, aqueduct and sewers, and transportation	1,317,422		-	-	(1,317,422)	-	(1,317,422)
Economic development program	3,131,014	-	-	-	(3,131,014)	-	(3,131,014)
Recreation and sports	500,014	-	-	-	(500,014)	-	(500,014)
Edifications	-	-	-	-	-	-	-
Arts and entertainment	155,756	-	-	-	(155,756)	-	(155,756)
ARRA programs	11,842	315	-	-	(11,527)	-	(11,527)
Interest on long-term debt	98,496,134	-	-	-	(98,496,134)	-	(98,496,134)
Total governmental activities	$ 334,822,500	$ 180,416,453	$ 2,734,414	$ (84,016,115)	(235,687,748)	-	(235,687,748)
BUSINESS - TYPE ACTIVITIES:							
World Plaza Building	5,750,452	1,063,295	2,566,777	-	-	(2,120,380)	(2,120,380)
Total	$ 340,572,952	$ 181,479,748	$ 5,301,191	$ (84,016,115)	(235,687,748)	(2,120,380)	(237,808,128)
GENERAL REVENUES:							
Unrestricted investment earnings					298,237	3,839	302,076
Transfers					(473,377)	473,377	-
Total general revenues and transfers					(175,140)	477,216	302,076
CHANGE IN NET POSITION (DEFICIT)					(235,862,888)	(1,643,164)	(237,506,052)
NET POSITION (DEFICIT) - Beginning of year, as restated					(1,646,796,215)	(9,628,314)	(1,656,424,529)
NET POSITION (DEFICIT) - End of year					$ (1,882,659,103)	$ (11,271,478)	$ (1,893,930,581)

The accompanying notes are an integral part of this basic financial statement

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RSM

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)
Balance Sheet – Governmental Funds
June 30, 2015

	General Fund	ARRA Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 3,608,990	$ -	$ -	$ -	$ 3,608,990
Due from other governmental entities	288,099	-	-	-	288 099
Due from other funds	2,441,450	236,052	169,459	-	2,846,961
Due from Commonwealth of Puerto Rico	143,477	-	-	-	143,477
Due from Government Development Bank of Puerto Rico	21,662	-	-	-	21,662
Restricted assets:					
Cash and cash equivalents	9,583,210	39	58,888,584	104,911,555	173,383,388
Accrued interest receivable	-	-	517	4,455	4,972
Investments and investment contracts	50,827,736	-	627,700	3,138,508	54,593,944
Due from Other Governmental Entities	-	-	20,589,038	-	20,589,038
Due from Commonwealth of Puerto Rico	-	-	4,344,373	11 784,824	16,129,197
	$ 66,914,624	$ 236,091	$ 84,619,671	$ 119,839,342	$ 271,609,728

Continues

The accompanying notes are an integral part of this basic financial statement.

RSM

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)
Balance Sheet – Governmental Funds
June 30, 2015

Continued	General Fund	ARRA Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	$ 1,054,752	$ -	$ -	$ -	$ 1,054,752
Liabilities payable from restricted assets:					
Accounts payable and accrued liabilities	9,583,210	10,902	50,087,395	-	59,681,507
Due to Commonwealth	-	-	1,810,325	-	1,810,325
Due to other funds	295,310	225,189	2,241,989	-	2,762,488
Total liabilities	10,933,272	236,091	54,139,709	-	65,309,072
FUND BALANCES:					
Non-spendable	50,827,736	-	-	-	50,827,736
Restricted for:					
Capital Projects	-	-	30,479,962	-	30,479,962
Debt Service	-	-	-	119,839,342	119,839,342
Unassigned	5,153,616	-	-	-	5,153,616
Total fund balances	55,981,352	-	30,479,962	119,839,342	206,300,656
	$ 66,914,624	$ 236,091	$ 84,619,671	$ 119,839,342	$ 271,609,728

The accompanying notes are an integral part of this basic financial statement.

RSM

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)
Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Position (Deficit)
June 30, 2015

FUND BALANCES - GOVERNMENTAL FUNDS		$ 206,300,656
Amounts reported for governmental activities in the statement of net position/(deficit) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These amounts are:		
Non-depreciable capital assets	34,155,174	
Depreciable capital assets, net	52,372	34,207,546
Prepaid expenses are not available to pay current period expenditures and, therefore, are not deferred in the funds	101,512	101,512
Other non-current assets are not available to pay current period expenditures and, therefore, are not deferred in the funds:		
Net investment in direct financing lease	36,400,000	
Due from Commonwealth	8,263,162	44,663,162
Deferred outflow of resources are not available to pay current period expenditures and, therefore, are not deferred in the funds		
Deferred charges on debt refunding	47,239,568	47,239,568
Liabilities, including bonds payable, loans payable, accrued interest payable, and contingencies are not due and payable currently and, therefore, are not reported in the funds		
Bonds and loans payable	(2,167,957,555)	
Accrued interest payable	(39,214,762)	
Accounts payable and accrued expenses	(7,999,230)	(2,215,171,547)
DEFICIT OF GOVERNMENTAL ACTIVITIES		$ (1,882,659,103)

The accompanying notes are an integral part of this basic financial statement.

RSM

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	ARRA Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES :					
Intergovernmental revenues:					
Contributions from Commonwealth of Puerto Rico	$ 117,000,000	$ -	$ 18,838,232	$ 38,544,809	$ 174,383,041
Contributions from Puerto Rico Highway and Transportation Authority	-	-	-	6,033,097	6,033,097
ARRA programs	-	315	-	-	315
Interest and investment income (loss):					
Interest bearing demand deposits	2,087	914	119,003	176,233	298,237
Investments and investment contracts	(84,016,115)	-	-	-	(84,016,115)
Direct financing lease revenues	-	-	-	2,770,397	2,770,397
Charges for services	408,436	-	-	-	408,436
Other	145,489	-	110,092	-	255,581
Total revenues	33,539,897	1,229	19,067,327	47,524,536	100,132,989
EXPENDITURES :					
Current:					
General government	3,885,993	160,877	-	-	4,046,870
Contribution to Puerto Rico Highway and Transportation Authority	227,670,000	-	-	-	227,670,000
Education, aqueduct and sewers and transportation	-	-	734,234	-	734,234
Economic development program	-	-	3,131,014	-	3,131,014
Recreation and sports	4,208	-	495,806	-	500,014
Arts and entertainment	-	-	155,756	-	155,756
ARRA programs	-	11,842	-	-	11,842
Debt service:					
Payment of maturing bonds	-	-	-	37,755,000	37,755,000
Interest	-	-	231,548	82,893,694	83,125,242
Capital outlays:					
General government	18,524	-	-	-	18,524
Education, aqueduct and sewers, and transportation	-	-	9,897,443	-	9,897,443
Recreation and sports	-	-	9,788,240	-	9,788,240
Edifications	-	-	2,594,505	-	2,594,505
Total expenditures	231,578,725	172,719	27,028,546	120,648,694	379,428,684

Continues

RSM

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2015

Continued

	General Fund	ARRA Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES OVER (UNDER) EXPENDITURES	$ (198,038,828)	$ (171,490)	$ (7,961,219)	$ (73,124,158)	$ (279,295,695)
OTHER FINANCING SOURCES/(USES):					
Proceeds from loans payable to Government Development Bank for Puerto Rico	-	256,966	7,014	-	263,980
Proceeds from debt issued	-	-	-	245,955,000	245,955,000
Discounts on debt issued	-	-	-	(17,216,850)	(17,216,850)
Transfers in	227,755,476	-	-	113,127,014	340,882,490
Transfers out	(112,982,883)	(85,476)	(617,508)	(227,670,000)	(341,355,867)
Total other financing sources/(uses)	114,772,593	171,490	(610,494)	114,195,164	228,528,753
NET CHANGES IN FUND BALANCES	(83,266,235)	-	(8,571,713)	41,071,006	(50,766,942)
FUND BALANCES - beginning of year, as restated	139,247,587	-	39,051,675	78,768,336	257,067,598
FUND BALANCES - end of year	$ 55,981,352	$ -	$ 30,479,962	$ 119,839,342	$ 206,300,656

The accompanying notes are an integral part of this basic financial statement.

RSM

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ (50,766,942)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. For the year these amounts are:		
Capital outlays	22,298,712	
Depreciation expense	(40,994)	22,257,718
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long - term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. For the year, these amounts were:		
Principal payments	37,755,000	
Amortization of bonds premium and deferred charges on debt refunding, net	(12,209,439)	
Discounts on debt issued	17,216,850	
Proceeds from long - term debt	(246,218,980)	(203,456,569)
Some revenues reported in governmental funds were previously recognized at the government -wide level.		(700,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(3,197,095)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (235,862,888)

The accompanying notes are an integral part of this basic financial statement.

RSM

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Net Position (Deficit) – Proprietary Fund
June 30, 2015

ASSETS:		
Current assets:		
Cash and cash equivalents	$	2,382,308
Accounts receivable, net		990,690
Prepaid expenses		244,610
Due from other funds		6,860
Total current assets		3,624,468
Non current assets:		
Capital assets, net:		
Nondepreciable:		
Land		4,438,534
Construction in progress		1,184,355
Depreciable, net		20,914,597
Total assets		30,161,954
LIABILITIES AND NET POSITION (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses		600,061
Accrued interest payable		3,380,888
Due to other funds		91,333
Total current liabilities		4,072,282
Non current liabilities:		
Line of credit		37,361,150
Total liabilities		41,433,432
NET POSITION (DEFICIT):		
Net investment in capital assets		(2,823,664)
Deficit		(8,447,814)
TOTAL NET DEFICIT	$	(11,271,478)

The accompanying notes are an integral part of this basic financial statement

RSM

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit)
Proprietary Fund
For the fiscal year ended June 30, 2015

Operating revenues:		
Rent income	$	2,521,383
Other		45,394
Total operating revenue		2,566,777
Operating expenses:		
General, administrative, and other operating expenses		2,869,037
Depreciation expense		608,612
Total operating expenses		3,477,649
Operating loss		(910,872)
Nonoperating revenues (expenses):		
Contributions from Commonwealth of Puerto Rico		1,063,295
Interest and investment earnings		3,839
Interest expense		(2,272,803)
Total nonoperating revenues (expenses)		(1,205,669)
Loss before transfers		(2,116,541)
Transfer from other funds		473,377
Net change in net deficit		(1,643,164)
Net position (deficit) - beginning of year, as restated		(9,628,314)
Net position (deficit) - end of year	$	(11,271,478)

The accompanying notes are an integral part of this basic financial statement.

RSM

Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)
Statement of Cash Flows – Proprietary Fund
For the fiscal year ended June 30, 2015

Cash flows from operating activities:		
Receipts from customers and users	$	2,134,248
Payments to suppliers		(2,867,934)
Net cash used in operating activities		(733,686)
Cash flows from noncapital financing activities:		
Intergovernmental grants and contributions		1,063,295
Interest paid		(1,063,000)
Net cash provided by noncapital and related financing activities		295
Cash flows from capital and related financing activities:		
Transfer from other funds		473,377
Capital expenditures		(1,338,810)
Net cash used by capital and related financing activities		(865,433)
Cash Flow from investing activities:		
Interest collected on deposits, investments and loans and net cash provided by investing activities		3,839
Net change in cash and cash equivalents		(1,594,985)
Cash and cash equivalents, at beginning of year as restated		3,977,293
Cash and cash equivalents, at end of year	$	2,382,308
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$	(910,872)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense		608,612
Changes in operating assets and liabilities:		
Increase in accounts and loans receivable		(432,529)
Increase in prepaid expenses		(2,231)
Increase in accounts payable and accrued liabilities		3,334
		177,186
Net cash used in operating activities	$	(733,686)

The accompanying notes are an integral part of this basic financial statement.

1. REPORTING ENTITY

Puerto Rico Infrastructure Financing Authority (the Authority) is a Component Unit of the Commonwealth of Puerto Rico (the Commonwealth) created by Act No. 44 of June 21, 1988, as amended (the Act No. 44) and an affiliate of Government Development Bank for Puerto Rico (GDB), another Component Unit of the Commonwealth. The Authority was organized to provide financial, administrative, and other types of assistance to public corporations, municipalities, and other governmental instrumentalities or political subdivisions of the Commonwealth that develop and operate infrastructure facilities. The accompanying financial statements present the net position and results of operations of the entity as a whole and by major funds that are governed by the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America (US GAAP) for governments as prescribed by the Governmental Accounting Standard Board (GASB). As further explained on Note 23, the Employees Retirement System of the Commonwealth of Puerto Rico did not provide the Authority the information needed to adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68). Accordingly, these financial statements do not contain any adjustments, disclosures or required supplementary information required by GASB 68.

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Following is a description of the Authority's most significant accounting policies:

Government-Wide Financial Statements — The statement of net position (deficit) and the statement of activities report information on all activities of the Authority. The effect of interfund balances has been removed from the statement of net position (deficit). Governmental activities are financed through intergovernmental revenues and other revenues.

Following is a description of the Authority's government - wide financial statements:

The statement of net position (deficit) presents the Authority's assets, deferred outflows of resources and liabilities, and deferred inflow of resources, with the difference reported as net position (deficit), which in turn is reported in three categories:

Net investment in capital assets — consists of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of related debt, when such debt is attributed to the acquisition, construction, or improvement of such assets.

- Restricted net position (deficit) — result when constraints placed on certain asset's use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to us restricted resources first, and the unrestricted resources when they are needed.

- Unrestricted net position (deficit) — consist of amounts that do not meet the definition of the two preceding categories. Unrestricted position (deficit) often is designated to indicate that management does not consider them available for general operations. Unrestricted net position often have constraints on resources that are imposed by management, but may be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) interest and investment income, including the changes in the fair value of investments and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function (3) and certain charges for services to customers that purchase, use or directly benefit from services given by a particular function. Other items not meeting the definition of program revenue are instead reported as general revenue.

Governmental Funds Financial Statements — Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All funds of the Authority are considered major funds.

Governmental Funds

Governmental funds focus on the sources and uses of funds and provide information on near-term inflows, outflows and balances of available resources. The Authority reports the following governmental funds:

- ***General Fund*** — The General Fund is the general operating fund of the Authority that is used to account for all financial resources, except those required to be accounted for in another fund.

- ***ARRA Fund*** — The ARRA fund accounts for resources used or contributed to meet the specific purposes established by this specific federal financial assistance program.

- ***Capital Projects Fund*** — The Capital Projects Fund accounts for resources used or contributed for the acquisition or construction of capital assets and capital improvements.

- ***Debt Service Fund*** — The Debt Service Fund accounts for the accumulation of resources for payment of interest and principal on long-term obligations.

Proprietary Funds

These funds account for those activities, which are financed and operated in a manner similar to private business enterprises. Management intends to recover, primarily through user charges, the cost of providing goods or services to the general public.

The only major proprietary fund is the World Plaza Building Fund, which is used to account for the activities related to the rental of office space and parking lots.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

Government-Wide Financial Statements — The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds Financial Statements — The governmental funds' financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues available if they are collected within 60 days after the end of the current fiscal year. Other revenues are considered measurable and available only when cash is received by the Authority. Expenditures generally are recorded when a liability is incurred. However, principal and interest on long term debt, loans and notes payable are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long term debt, notes and loans and acquisitions under capital leases are reported as other financing resources.

Proprietary Fund Financial Statements — The basic financial statements of the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements. The proprietary fund account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing the services that correspond to the proprietary fund's principal ongoing operations. Operating revenue is generated from rental, investing, and other related activities. Operating expenses include general and administrative expenses, among others. Revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Cash Equivalents — Cash equivalents are defined as highly liquid investments with original maturities at the date of purchase of 90 days or less.

Investments and Investment Contracts — Investments are reported at fair value, except for money market investments and nonparticipating investment contracts, which are carried at cost. Fair value is determined based on quoted market prices, whenever available. For securities without a quoted price, fair value is determined based on quoted market prices for comparable instruments. Realized gains and losses from the sale of investments and unrealized changes in fair value are recorded as investment income.

Accounts Receivable — Accounts receivable are stated net of estimated allowances for uncollectible accounts. The allowance is based on the evaluation of the risk characteristics of the receivable, including past collection experience and current economic conditions. Charge-offs are recorded against the allowance when management believes that collectability is unlikely. Recoveries of amounts previously charged off are credited to the allowance. Because of uncertainties inherent in the estimation process, management's estimate may change in the future.

Prepaid Expenses — Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Restricted Assets — Certain resources are set aside for the repayment of bonds payable, construction of capital projects and other purposes, such as future contributions to the revolving loan funds. All of these assets are classified as restricted assets on the accompanying statement of net position/(deficit) and governmental funds balance sheet because these resources are limited for these purposes by applicable agreements.

Direct Financing Lease — Aggregate rental payment due over the term of the lease less unearned income are included in direct financing lease receivable. Unearned income is amortized to lease income using systematic and rational methods that approximate the interest method.

Capital Assets — Capital assets include land, construction in progress, buildings, furniture and equipment, vehicles, and buildings improvements. The threshold for capitalizing furniture and equipment, vehicles, and buildings improvements is $750. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are recorded at cost or estimated historical cost. Contributed assets are recorded at estimated fair value at the time received. Capital assets and related depreciation are recognized in the government-wide financial statements and proprietary funds. Depreciation is determined using the straight line method over the related asset's estimated useful lives. There is no depreciation recorded for land and construction in progress. In governmental funds financial statements, capital assets are recorded as expenditures, and no depreciation is recognized.

The ranges of the useful lives are as follows:

Description	Years
Building	40
Building improvements	15
Furniture and equipment	3–5
Vehicles	3–5

The costs of normal maintenance and repairs that do not add value to the asset or materially extend assets' lives are expensed.

Capital assets are evaluated for impairment, using the guidance provided by Governmental Accounting Standards Board (the GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Under this statement, governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of capital assets has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations, or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of capital assets, and construction stoppage among others.

Deferred outflow of resources — The Authority presents as deferred outflow of resources losses resulting from current or advance refunding of debt that are deferred and amortized over the shorter of the life of the new debt and the remaining life of old debt. The amount amortized is reported as a component of interest expense.

Compensated Absences — Employees are granted 30 days of vacation and 18 days of sick leave annually. Vacations and sick leave may be accumulated up to a maximum of 60 and 90 days, respectively. In the event of an employee resignation, it is reimbursed for accumulated vacation days up to the maximum allowed.

Early Retirement — The Authority records in the government-wide financial statements an expense for termination benefits when an offer is accepted by the employee and the benefit amount is determined.

Bond Premiums/Discounts — In the government-wide financial statements, premiums and discounts costs related to long-term debt are deferred and are amortized or accreted over the life of the related debt, using a systematic and rational methods that approximate the interest method. Loans payable, Special Tax Revenue Bonds, Special Obligation Bonds, Dedicated Tax Revenue Bonds Anticipation Notes, and Mental Health Infrastructure Revenue Bonds in the government-wide financial statements, are shown net of unamortized premium or discount.

Governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued, as well as any related premium is reported as other financing source while discounts on debt issuances are reported as other financing use. Issuance costs are recorded as expenditures when paid.

Interfund Transactions — The Authority has the following types of interfund transactions:

- **Loans** — represent amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender fund and interfund payables (i.e. due to other funds) in borrower funds. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by nonspendable fund balance which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

- **Reimbursements** — represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

- **Transfers** — represent flow of assets (such as cash or goods) without equivalent flow of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the fund making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

Fund Balance — Fund balances for each governmental fund are displayed into the following classifications, when applicable, depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Non-spendable** — amounts that cannot be spent because they are legally or contractually required to be maintained intact.

- **Restricted** — amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of the resource providers.

- **Committed** — amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.

- **Assigned** — amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

- **Unassigned** — represent the residual classification for the general funds, and includes all spendable amounts not contained on the other classifications. In the other funds, the unassigned classification is only to report a deficit balance resulting from overspending for specific purposes for which the amounts have been restricted.

The Authority has no committed or assigned fund balances.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then, unrestricted resources as they are needed.

Risk Management — The Authority is responsible for assuring that the Authority's property is properly insured. Annually, the Authority compiles the information of all property owned and its respective replacement value and purchases property and casualty insurance policies. Insurance coverage for fiscal year 2015 remained similar to those of prior years. For the last three years, insurance settlements have not exceeded the amount of coverage.

Termination Benefits — The Authority accounts for termination benefits by recognizing a liability and expense for voluntary termination benefits when the offer is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits is recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated.

Future pronouncements — GASB has issued the following accounting pronouncements that have effective date after June 30, 2015:

- **GASB Statement No. 72**, *Fair Value Measurement and Application* which is effective for financial statements for periods beginning after June 15, 2015.

- **GASB Statement No. 73**, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is effective for fiscal years beginning after June 15, 2015, except those provisions that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

- **GASB Statement No. 74**, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for fiscal years beginning after June 15, 2016.

- **GASB Statement No. 75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal years beginning after June 15, 2017.

- **GASB Statement No. 76**, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is effective for period beginning after June 15, 2015.

- **GASB Statement No. 77**, *Tax Abatement Disclosures*, which is effective for periods beginning after December 15, 2015.

Management is evaluating the impact that these statements will have, if any, on the Authority's basic financial statements.

3. RESTATEMENT OF NET POSITION AND FUND BALANCE

During fiscal year ended June 30, 2015, the Authority established a pricing policy designed to recover costs including the capital cost applicable to the rental charges of the World Plaza Building. World Plaza Building Fund was accounted as part of the general fund in prior years and started to be reported as a proprietary fund; changing the reporting entity The impact of the change in reporting entity is as follows:

Governmental Activities:

The following table summarizes the changes to net position (deficit) at the beginning of the year as previously reported:

Description	Governmental activities	Business-type activities	Total
Net position (deficit) - July 1, 2014, as previously reported	$ (1,656,424,529)	$ -	$ (1,656,424,529)
Change in reporting entity:			
World Plaza Building Fund	9,628,314	(9,628,314)	-
Net position (deficit) - July 1, 2014, as restated	$ (1,646,796,215)	$ (9,628,314)	$ (1,656,424,529)

Governmental Funds:

The following table summarizes the changes to fund balances (deficit) at the beginning of the year as previously reported in the statement of revenues, expenditures, and changes in fund balances (deficit) by the governmental funds:

Description	General Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance (deficit) - July 1, 2014, as previously reported	$ 143,101,842	$ 117,820,011	$ 260,921,853
Change in reporting entity:			
World Plaza Building Fund	(3,854,255)	-	(3,854,255)
Fund Balance (deficit) - July 1, 2014, as restated	$ 139,247,587	$ 117,820,011	$ 257,067,598

Proprietary Fund:

The following table summarizes the changes to net position at the beginning of the year as previously reported by the proprietary funds:

Description	World Plaza Building Fund
Net position (deficit) - July 1, 2014, as previously reported	$ -
Change in reporting entity:	
World Plaza Building Fund	(9,628,314)
Net position (deficit) - July 1, 2014, as restated	$ (9,628,314)

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Governmental Activities — The accompanying statement of net position presents an accumulated deficit of approximately $1.9 billion. This situation occurs because the Authority's normal operations is to acquire and/or construct capital assets that will be transferred to the Commonwealth's agencies or other Component Units. The acquisition is mainly conducted through the issuance of long term obligations that will be funded by the Commonwealth with future appropriations. Accordingly, the Authority is completely dependent from the Commonwealth to effectively reverse its deficit position. Current cash flows shortage and liquidity uncertainties affecting the Commonwealth could have a significant impact in the Authority continuing operations and its ability to pay obligations as they become due (See note 24 for further details).

Business-type Activities — The accompanying statement of net position presents an accumulated deficit of approximately $11.3 million. This situation occurs mainly due to the debt issued to acquire and refurbish the building and other costs incurred in connection with the acquisition of the building, that by its nature were not considered capital assets, and the net effect of the depreciation of capital assets. Management expectations are that once the building is fully occupied and rent and related revenues increase, this deficit will begin to amortize.

5. CASH AND CASH EQUIVALENTS, AND INVESTMENTS AND INVESTMENT CONTRACTS

The Authority is authorized to deposits funds in GDB, and/or in the custody of financial institutions approved by the Commonwealth. Commonwealth's regulations required domestic commercial banks to maintain collateral securities pledged for the security of public deposits at an amount not less than 100% of the amounts in excess of federal insurance coverage. GDB is exempt from collateral requirements established by the Commonwealth.

In accordance with investment guidelines promulgated by GDB for agencies and public corporations of the Commonwealth under the provisions of Act No. 113 of August 3,1995, and Executive Order 1995-50A (the Investment Guidelines), the Authority is authorized to purchase or enter into the following investment instruments:

- U.S. Government and agencies obligations
- Certificates of deposit
- Bankers acceptances
- Commercial paper
- Participations in the Puerto Rico Government Investment Trust Fund
- Obligations of the Commonwealth of Puerto Rico, its agencies, municipalities, public corporations, and instrumentalities
- Obligations of state and local governments of the United States of America
- Mortgage and asset-backed securities
- Corporate debt, including investment contracts

The Investment Guidelines also establish limitations and other guidelines. Investments related to bond issuances are purchased in accordance with the related bond indenture.

As of June 30, 2015, the Authority held cash, cash equivalents, and investments and investment contracts as follows:

Description	Amount
Unrestricted assets:	
Cash	$ 5,991,298
Restricted assets:	
Cash	58,499,706
Cash equivalents and investments and investments contracts:	
Cash equivalents	114,883,682
Investments and investment contracts, temporarily restricted	3,766,208
Investments, permanently restricted	50,827,736
Total cash equivalents and investments and investment contracts	169,477,626
	$ 233,968,630

The investment in capital appreciation bonds of the Puerto Rico Sales Tax Financing Corporation (COFINA) represents a permanently restricted investment, whereby the Authority cannot dispose of the investment unless it is approved by the Legislature of Puerto Rico. In addition, the Authority is not allowed to use the interest earned to support its programs.

The following table summarizes the type and maturities of cash equivalents and investments held by the Authority as of June 30, 2015.

Description	Due Within One Year	Due After Ten Years	Total
Time deposits:			
Government Development Bank for Puerto Rico	$ 7,160,853	$ -	$ 7,160,853
Banco Popular de Puerto Rico	710,214	-	710,214
Money market funds:			
U.S. Bank Trust National Association	30,983,969	-	30,983,969
Federated Prime Obligations	76,028,646	-	76,028,646
Nonparticipating investment contracts — Calyon	-	3,766,208	3,766,208
COFINA Revenue Bonds, Junior Subordinate, Series 2011A	-	50,827,736	50,827,736
	$ 114,883,682	$ 54,593,944	$ 169,477,626

Based on concentrations of credit risk, investment by type in any one issuer representing 5% or more of total investments have been separately disclosed. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

The investment in Sales Tax Revenues Bonds Junior Subordinate, Series 2011A, issued by COFINA, are not subject to redemption prior to maturity, which range from August 1, 2046 to August 1, 2050. The Authority may not dispose of this investment or its earnings, unless approved by the Legislature of Puerto Rico.

The credit quality ratings for investments and investment contracts at June 30, 2015, are as follows:

	Credit Risk Rating	
Counterparty	Standard & Poor's	Moody's
U.S. Bank Trust National Association	A+	Aa1
Government Development Bank for Puerto Rico	CC	Ca
Federated Prime Obligations	AAAm	A aa - mf
Calyon	A	A2
Banco Popular de Puerto Rico	BB	Ba2
COFINA Revenue Bonds Junior/Sub. Series 2011 A	CCC-	Ca

The credit quality rating for time deposits and nonparticipating investment contracts are based on the credit quality ratings of the counterparties with whom those contracts are entered into.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The service agreement with GDB provides that the GDB's Asset Liability Management Committee (ALCO) is responsible for implementing and monitoring the interest risk policies and strategies. The ALCO meets on a monthly basis to coordinate and monitor the interest risk management of interest risk sensitive assets and interest sensitive liabilities, including matching of their anticipated level and maturities, consistent with the Authority's liquidity, capital adequacy risk and profitability goals sent by the Authority's board of directors

Custodial credit risk is the risk that in the event of a bank failure, the bank's deposits may not be returned. The Commonwealth requires that public funds deposited in commercial banks in Puerto Rico must be fully collateralized. Deposits maintained in the GDB are exempt from collateral requirement established by the Commonwealth and thus, represents custodial credit risk because in the event of the GDB's failure, the Authority may not be able to recover the deposits. The Authority's policy is to deposit funds with either institution which provides insurance or securities as collateral. Such collateral is held by the Department of the Treasury of the Commonwealth.

As of June 30, 2015, approximately $39.6 million, of the depository bank balance of approximately $40.2 million was exposed to custodial credit risk since such deposits, all of which are maintained at GDB, are uninsured and uncollateralized.

6. DUE FROM OTHER GOVERNMENTAL ENTITIES AND RENT RECEIVABLE

Accounts receivable presented in Balance Sheet - Governmental Funds as of June 30, 2015, are as follows:

Description	General Fund	Capital Projects Fund	Total
Due from other governmental entities	$ 288,099	$ 20,207,082	$ 20,495,181
Due from Municipality of San Juan	-	381,956	381,956
	$ 288,099	$ 20,589,038	$ 20,877,137

The reconciliation to the government-wide statement of net position/(deficit) as of June 30, 2015, is as follows:

Unrestricted receivable	$ 288,099
Restricted receivable:	
Due from Municipality of San Juan	381,956
Due from other governmental entities	20,207,082
	$ 20,877,137

In December 2011, the Authority entered into an Agreement with the Municipality of San Juan (the Municipality) to sell a parcel of land owned by the Authority for $5 million. Pursuant to provisions set forth by this agreement, the Municipality committed to settle a legal claim against the Authority in the amount of approximately $3.7 million and to pay the remaining $1.3 million in three equal installments, which were due at the date of closing, in July 2012 and in July 2013. As of June 30, 2015, accounts receivable due from the Municipality related with this transaction amounted to $381,956. Receivables from other governmental entities are related to construction projects managed by the Authority.

Accounts receivable presented in the Statement of Net Position (Deficit) of Proprietary Funds – World Plaza Building as of June 30, 2015, aggregating $990,690 is composed of rent and related receivables, net of allowance for doubtful accounts of $1,923,697.

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2015:

Fiscal Year Ending June 30,		Amount
2016	$	5,452,287
2017		5,945,563
2018		5,868,025
2019		5,673,599
2020		5,127,741
2021 to 2025		884,222
Total minimum future rentals	$	28,951,437

7. DIRECT FINANCING LEASE

On April 6, 2006, the Authority entered into a direct financing lease transaction resulting from the acquisition of certain medical facilities. Concurrent with the transaction, the Authority assumed a loan payable to GDB for $34,225,725 and entered into a lease agreement with Mental Health and Anti-Addiction Services Administration (MHAASA).

In October 2007, the Authority issued the Mental Health Infrastructure Revenue Bonds, Series A and B, in the aggregate amount of $43,330,000 to pay in full the note hereunder, plus accrued interest of $3,305,780. The Authority entered into a trust agreement with Banco Popular de Puerto Rico (the "Trustee"), providing a lease agreement that was assigned to the Trustee requiring that payments by MHAASA under the lease be made directly to GDB to cover the principal and interest required on the bonds.

The lease terms stated that the payments will be for 30 years after the commencement of the bond's term and the lease amount will be equal to the annual principal and interest requirement of the bonds hereunder. MHAASA's annual budget appropriations from the Commonwealth of Puerto Rico and the payments by the sub lessors of MHAASA were assigned to the Trustee as security interest for the lease payments. MHAASA has the option to purchase the leased premises for $1 at the end of the lease term.

The total rentals receivable under the lease contract, net of unearned income, were recognized as net investment in direct financing lease and the unearned income on the lease is recognized monthly at a constant periodic rate of return on the unrecovered investment.

The composition of the net investment in direct financing lease at June 30, 2015, is as follows:

Description	Amount
Net minimum lease payments receivable	$ 69,824,000
Less unearned lease income	(33,424,000)
	$ 36,400,000

At June 30, 2015, the minimum future lease payments due under the direct financing lease are as follows:

Years Ending June 30	Principal	Interest	Total Amount
2016	$ 700,000	$ 2,319,625	$ 3,019,625
2017	800,000	2,272,750	3,072,750
2018	800,000	2,222,750	3,022,750
2019	900,000	2,169,625	3,069,625
2020	900,000	2,113,375	3,013,375
2021-2025	5,700,000	9,579,375	15,279,375
2026-2030	7,700,000	7,439,250	15,139,250
2031-2035	10,700,000	4,488,250	15,188,250
2036-2038	8,200,000	819,000	9,019,000
	$ 36,400,000	$ 33,424,000	$ 69,824,000

8. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, were as follows:

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets:				
Nondepreciable:				
Land	$ 7,451,515	$ -	$ (583,188)	$ 6,868,327
Construction in progress	5,006,659	22,280,188	-	27,286,847
Depreciable:				
Furniture and equipment	1,010,618	18,524	-	1,029,142
Vehicles	57,692	-	-	57,692
Total capital assets	13,526,484	22,298,712	(583,188)	35,242,008
Less: Accumulated depreciation				
Furniture and equipment	941,142	35,632	-	976,774
Vehicles	52,327	5,362	-	57,689
Total accumulated depreciation	993,469	40,994	-	1,034,463
Governmental activities capital assets, net	$ 12,533,015	$ 22,257,718	$ (583,188)	$ 34,207,545
Business-type activities:				
Capital assets:				
Nondepreciable:				
Land	$ 4,438,534	$ -	$ -	$ 4,438,534
Construction in progress	-	1,184,355	-	1,184,355
Depreciable:				
Building	22,561,474	-	-	22,561,474
Building improvements	-	99,802	-	99,802
Furniture and equipment	180,941	54,653	-	235,594
Total capital assets	27,180,949	1,338,810	-	28,519,759
Less: Accumulated depreciation				
Building	1,304,238	564,037	-	1,868,275
Building improvements	-	551	-	551
Furniture and equipment	69,423	44,024	-	113,447
Total accumulated depreciation	1,373,661	608,612	-	1,982,273
Business-type activities capital assets, net	25,807,288	730,198	-	26,537,486
Total capital assets, net	$ 38,340,303	$ 22,987,916	$ (583,188)	$ 60,745,031

The Authority issued certain bonds and notes and received legislative appropriations to finance the construction of certain capital projects for the benefit of Puerto Rico Aqueduct and Sewer Authority (PRASA), various municipalities of Puerto Rico, and other agencies and instrumentalities of the Commonwealth. The capital projects include the construction of infrastructure and buildings to be used in the operations of, and managed by, PRASA, municipalities of Puerto Rico, and other agencies and instrumentalities of the Commonwealth in their respective operations. These capital projects, including land acquired, are included as part of the Authority's capital assets until construction is completed and the conditions for transfers to the ultimate beneficiaries are met, at which time they are recorded as an expense in the statement of activities.

During the year ended June 30, 2015, the Authority incurred construction costs for the benefit of other instrumentalities, which are presented as current expenditures in the accompanying statement of revenues, expenditures, and changes in fund balances — governmental funds as follows:

Function/Programs		Amount
Economic development program	$	3,131,014
Education, aqueduct and sewers and transportation		734,234
Recreation and sports		495,806
Arts and entertainment		155,756
	$	4,516,810

During the year ended June 30, 2015, depreciation expense of approximately $41 thousand and $609 thousand were charged to the general government function and Business-type activities respectively in the accompanying statement of activities.

9. INTERFUND BALANCES AND TRANSFERS

The summary of the amounts due from/to other funds as of June 30, 2015, is as follows:

Receivable By	Payable By	Purpose		Amount
General Fund	Capital Projects Fund	Reimbursement of administrative costs	$	2,241,959
ARRA Fund	General Fund	To finance program expenditures		236,022
Capital Projects Fund	ARRA Fund	Reimbursement of administrative costs		117,031
General Fund	ARRA Fund	Reimbursement of administrative costs		108,158
General Fund	World Plaza Building Fund	Reimbursement of administrative costs		91,333
Capital Projects Fund	General Fund	Reimbursement of administrative costs		52,428
World Plaza Building Fund	General Fund	Reimbursement of administrative costs		6,860
ARRA Fund	Capital Projects Fund	Reimbursement of administrative costs		30
			$	2,853,821

Interfund transfers for the year ended June 30, 2015, consist of the following:

Transfer Out	Transfer In	Purpose	Amount
Debt Service Fund	General Fund	Transfer of proceeds for contribution to PRHTA	$ 227,670,000
General Fund	Debt Service Fund	Debt service payments	112,982,883
Capital Projects Funds	Debt Service Fund	Debt service payments	144,131
Capital Projects Fund	World Plaza Building Fund	To finance capital related activities	473,377
ARRA Fund	General Fund	To settle interfund transaction	85,476
			$ 341,355,867

10. RESTRICTED NET POSITION / FUND BALANCES

Restricted assets of the Authority included in the statement of net position / fund balances at June 30, 2015 consist of cash and cash equivalents, receivables, investments, and other assets, net of its related liabilities payable from those restricted assets, to be used for the following purposes:

Description	Amount
Restricted for investment in capital appreciation bonds of COFINA, whereby the Authority is not allowed to use the interest earned in this investment. In the governmental funds financial statements this amount is presented as non-spendable fund balance.	$ 50,827,736
Restricted for debt service payments for the outstanding debt of capital projects	110,226,641
Restricted for debt payments of dedicated revenue tax bonds anticipation notes	40,092,663
	$ 201,147,040

11. BONDS PAYABLE

Special Tax Revenue Bonds — On June 16, 2005, the Authority issued $309,102,577 Special Tax Revenue Bonds, Series 2005 A (the Series 2005 A Bonds), $324,625,000 Special Tax Revenue Bonds, Series 2005 B (the Series 2005 B Bonds), and $699,235,339 Special Tax Revenue Refunding Bonds, Series 2005 C (the Series 2005 C Bonds). The Series 2005 A Bonds mature at various dates from July 1, 2029 through 2045, inclusive, the Series 2005 B Bonds maturing on July 1, 2037 and 2041, and the Series 2005 C Bonds maturing on July 1, 2028. The Series 2005 B Bonds may be redeemed by the Authority prior to maturity upon not less than 30 days' prior notice, either in whole or in part, and if in part, as directed by the Authority. The Series 2005 A and C are not subject to redemption prior to maturity, were issued as Capital Appreciation Bonds.

The Series 2005 A, B, and C Bonds bear interest, payable semiannually on January 1 and July 1 at rates ranging from 4% to 5.5%. Accrued interest on the Capital Appreciation Bonds will be paid at maturity as part of the bonds accreted value.

The Series 2005 A and B Bonds were issued primarily for the purpose of providing approximately $292 million in financial assistance to PRASA and other Commonwealth instrumentalities and municipalities in connection with certain capital projects. This includes the repayment of approximately $26 million for certain advances made to the Authority by GDB for the purpose of providing funds to pay certain capital improvements of the Authority or other Commonwealth's instrumentalities. The Series 2005 A and B Bonds were also issued to provide approximately $317 million in working capital assistance to the Commonwealth and to cover interest and costs of issuance of the Series 2005 A and Series 2005 B Bonds. The bond proceeds earmarked for PRASA and non-PRASA projects were deposited in the Authority's Capital Projects Fund.

The Series 2005 C Bonds were issued for the purpose of refunding all of the Authority's Special Tax Revenue Bonds, Series 1997 A Bonds, including capitalized interest and to cover costs of issuance of the Series 2005 C Bonds. This refunding permitted the Authority to realize present value savings on its debt service requirements. Such transaction resulted in a deferred loss on refunding of $76,267,097.

The Authority deposited the net proceeds of the Series 2005 C Bonds, together with certain other available moneys, with the Trustee, as escrow agent, in a special redemption fund under the terms of an escrow deposit agreement. Such net proceeds, together with such other available moneys, were invested in government obligations, whose principal and interest when due, together with any moneys deposited with the Trustee remaining uninvested, will provide moneys sufficient to pay the principal redemption of premium and interest on the refunded bonds through the date of redemption.

On September 28, 2006, the Authority issued $469,770,000 Special Tax Revenue Bonds, Series 2006 (the Series 2006 Bonds), for the purpose of developing the infrastructure necessary for the XXI Central American and Caribbean Games (the Games). The proceeds of this issuance provided for: (1) the acquisition, improvements and construction of sports and other facilities necessary for the Games; (2) the construction of capital projects of certain Commonwealth's instrumentalities and municipalities; and (3) the payment of capitalized interest and cost of issuance of the Series 2006 Bonds. The proceeds of the Series 2006 Bonds were deposited into a Special Construction Fund administered by the Authority on behalf of the applicable benefited entities. The Series 2006 Bonds bear interest, payable on July 1 and January 1 of each year, at various rates ranging from 4.50% to 5.00%, and mature on various dates from July 1, 2010 to July 1, 2046.

The Special Tax Revenue Bonds are payable solely from and secured by a pledge of federal excise taxes and other moneys deposited to the credit of a sinking fund established pursuant to a trust agreement. Payment of principal and interest is insured by separate municipal bond insurance policies issued by an unrelated insurance company.

Act No. 44, as amended, requires that in each fiscal year through fiscal year 2057, the first $117 million of certain federal excise taxes received by the Commonwealth be transferred to the Authority. Such taxes consist of the federal excise taxes levied on rum and other articles produced in Puerto Rico and sold in the United States, which taxes are collected by the U.S. Treasury and returned to the Commonwealth. For the year ended June 30, 2015, principal and interest paid on Special Tax Revenue Bonds amounted to approximately $112 million.

Rum is the only article currently produced in Puerto Rico subject to federal excise taxes, the proceeds of which are required to be returned to the Commonwealth. The trust agreement requires the Authority to deposit in the sinking fund the federal excise taxes and other moneys deposited as are required to meet the debt service requirements with respect to the Bonds.

The federal excise taxes securing the Bonds are subject to a number of factors, including the continued imposition and remittance of such taxes to the Commonwealth and conditions affecting the Puerto Rico rum industry. The level of federal excise taxes to be received by the Commonwealth is currently expected to fall, although the exact amount cannot be determined. If the federal excise taxes received by the Commonwealth in any fiscal year are insufficient, Act No. 44 requires that the Authority request and the Director of the Office of Management and Budget of the Commonwealth include in the budget of the Commonwealth for the corresponding fiscal year, an appropriation necessary to cover such deficiency. The Legislature of the Commonwealth, however, is not obligated to make the necessary appropriation to cover such deficiency.

The Authority was required under the trust agreement to establish a reserve account in the sinking fund to deposit and maintain therein an amount equal to the reserve requirements, as defined. Alternatively, the Authority may deposit to the credit of such reserve account an insurance policy or a letter of credit in lieu of any required deposit or in substitution of moneys on deposit in the reserve account.

Additional bonds, secured on parity with the Bonds, may be issued for any purpose authorized by Act No. 44, subject to compliance with certain financial tests in the trust agreement.

On March 16, 2015 the Authority issued the Dedicated Tax Fund Revenue Bond Anticipation Notes, Series 2015 under and pursuant to Act No. 1 of 2015, as amended by Act No. 2 of 2015 of the Legislature of Puerto Rico approved January 15, 2015, as amended, in the aggregate principal amount of $245,955,000 with a maturity date of May 1, 2017, with an interest rate of 8.25% payable monthly on the first Business Day of each month, commencing on April 1, 2015.

The Series 2015A Notes are subject to redemption in whole or in part in Authorized Denominations at any time, at the option of the Authority upon not less than 20 days' prior written notice.

The Series 2015A Notes are subject to mandatory sinking fund redemption prior to maturity, and to redemption from funds in the redemption fund.

Proceeds of the Series 2015A Notes, together with funds contributed by the Puerto Rico Highways and Transportation Authority (PRHTA), will be used to (i) redeem the PRHTA Special Revenue Bonds 2013A Bond Anticipation Notes (the PRHTA Notes), make a deposit to the Note Account established under the Trust Agreement to pay debt service on the Series 2015A Notes, and (iii) pay certain costs of issuance of the Series 2015A Notes.

The Series 2015A Notes are payable from, and are secured by the pledge of a Trust Estate comprising certain assets and revenues of the Authority, which include (i) a $6.25/barrel Petroleum Products Tax on Non Diesel products, (ii) any funds received by the Authority pursuant to the terms of a Financial Assistance Agreement between the Authority and PRHTA and (iii) any additional revenues pledged to the Authority in accordance with the Trust Agreement. The revenues pledged to the payment of the Series 2015A Notes could be applied to pay general obligation debt of the Commonwealth if its available resources are insufficient to cover all approved appropriations.

The Series 2015A Notes are guaranteed by the Commonwealth. The good faith, credit and taxing power of the Commonwealth are pledged to the payment of principal of and interest on the Series 2015A Notes. The Commonwealth does not guarantee any payments in excess of scheduled principal of and interest on the Series 2015A Notes. For the year ended June 30, 2015, principal and interest paid on Dedicated Tax Fund Revenue Bonds Anticipation Notes amounted to approximately $78.3 million.

As of June 30, 2015, debt service requirements for special tax revenue bonds were as follows:

Years Ending June 30	Principal	Interest	Total
2016	$ 168,090,000	$ 86,977,418	$ 255,067,418
2017	158,010,000	72,808,793	230,818,793
2018	43,290,000	68,563,363	111,853,363
2019	45,580,000	66,212,800	111,792,800
2020	47,990,000	63,739,281	111,729,281
2021-2025	281,664,999	275,654,613	557,319,612
2026-2030	365,045,000	192,977,850	558,022,850
2031-2035	403,845,000	159,837,500	563,682,500
2036-2040	423,870,000	135,300,875	559,170,875
2041-2045	506,495,000	52,277,875	558,772,875
2046-2047	214,075,000	8,648,750	222,723,750
	2,657,954,999	$ 1,182,999,118	$ 3,840,954,117
Add — Net Premium/(Discount)	67,438,194		
Less:			
Unaccreted discount on capital appreciation bonds	(609,811,197)		
	$ 2,115,581,996		

Mental Health Infrastructure Revenue Bonds — On October 24, 2007, the Authority issued $39,800,000 Revenue Bonds, Series 2007 A, and $3,530,000 Series 2007 B (collectively, the Series 2007 Bonds). The Series 2007 A Bonds were issued for the purpose of providing funds, together with other available funds, to repay in full the loan due to the GDB amounting to $34,225,725 related to the acquisition of certain mental health facilities known as MEPSI Center located in the Municipality of Bayamón. The Series 2007 B Bonds were issued for the purpose of providing funds to pay interest accrued on a loan due to the GDB amounting to $3,305,780.

The Series 2007 A Bonds were issued under a trust indenture dated October 1, 2007, between the Authority and the GDB, which provides for the assignment of a lease with an option to purchase, dated October 24, 2007, as disclosed in Note 7. The Series 2007 A Bonds are payable semiannually on April 1 and October 1, and bear interest at fixed rates of 5.6% through 2014, 6.25% through 2024, and 6.5% through 2037. The Series 2007 Bonds are subject to redemption rights at 100% of the principal, plus accrued interest.

As of June 30, 2015, debt service requirements for Mental Health Infrastructure Revenue Bonds were as follows:

Years Ending June 30	Principal	Interest	Total
2016	$ 700,000	$ 2,319,625	$ 3,019,625
2017	800,000	2,272,750	3,072,750
2018	800,000	2,222,750	3,022,750
2019	900,000	2,169,625	3,069,625
2020	900,000	2,113,375	3,013,375
2021-2025	5,700,000	9,579,375	15,279,375
2026-2030	7,700,000	7,439,250	15,139,250
2031-2035	10,700,000	4,488,250	15,188,250
2036-2037	8,200,000	819,000	9,019,000
	36,400,000	$ 33,424,000	$ 69,824,000
Add — Premium	457,609		
	$ 36,857,609		

12. LOANS PAYABLE

On January 16, 2002, the Authority entered into a loan agreement (the Note) with Puerto Rico Public Finance Corporation (PFC), a Component Unit of the GDB. The Note was originally a loan granted by the GDB (the Old Note), but which, pursuant to Act No. 164 of December 17, 2001, PFC acquired and restructured through the issuance of PFC Commonwealth Appropriation Bonds (the PFC Bonds). The PFC Bonds were issued under trust indenture agreements whereby PFC pledged the Old Note, along with other notes under the Act No. 164, to certain trustees and created a first lien on the pledged revenue (consisting of annual Commonwealth appropriations earmarked to repay the Note).

During the fiscal year 2014, PFC refunded the PFC Bonds that were related to the Note, and therefore, the repayment terms were also modified by PFC for the proportionate portion attributable to the Authority. The balance outstanding at June 30, 2015 was $3,606,472 and matures in June 2031. Interest only is payable through June 30, 2015. Afterwards, principal and interest installments are payable annually. Interest on the unpaid principal amount of the Note is equal to the applicable percentage of the aggregate interest payable on PFC Bonds. Applicable percentage is the percentage representing the proportion of the amount paid by PFC on the Note to the aggregate amount paid by PFC on all the notes acquired by PFC under Act No. 164.

During the year ended June 30, 2015, the Authority received Commonwealth appropriations amounting to $201,527 that were used to pay the interest on the Note included as part of program revenues – operating grants and contributions – general government function in the statement of activities and as part of contributions from Commonwealth of Puerto Rico in the accompanying statement of revenues, expenditures, and changes in fund balances – governmental funds.

On February 18, 2005, the Authority entered into a loan agreement with the GDB related to a nonrevolving line of credit in an amount not to exceed $40 million for the construction of an auditorium for Centro de Bellas Artes Luis A. Ferré. Principal amount of the loan and be due and payable on June 30, 2040. The loan bears interest at 7% as of June 30, 2015 and interest installments are due annually. As of June 30, 2015, the principal balance outstanding under this loan agreement amounted to $4,752,853. During the year ended June 30, 2014, the Authority did not receive contributions from the Commonwealth of Puerto Rico.

On June 1, 2009, the Authority entered into a revolving line of credit facility (the Line of Credit) with the GDB to provide interim financing for costs incurred by the Authority under certain American Recovery and Reinvestment Act Programs (the ARRA Programs). The Line of Credit will be repaid from the cost reimbursements received from the federal government under the ARRA Programs and contributions from the Commonwealth of Puerto Rico. The Line of Credit matured on June 30, 2011, and subsequently was extended until January 31, 2016 and bears interest at 150 basis points over the prime rate, with a minimum interest rate of 6%. As of June 30, 2015, the principal balance outstanding under the Line of Credit amounted to $7,098,085.

On March 8, 2012, the Authority entered into a $35 million line of credit with GDB for the acquisition, refurbishment and maintenance of certain real estate property that will be subsequently leased to the Puerto Rico Department of Justice. The credit facility is secured by a mortgage lien on the property, and is payable from future appropriations from the Commonwealth. The line of credit matures on June 30, 2017 and bears interest at 150 basis points over the prime rate, with a minimum interest rate of 6%. As of June 30, 2015, the principal balance outstanding under the line of credit amounted to $37,361,150, which includes $2,361,150 of capitalized interest on July 1, 2015. During the year ended June 30, 2015, the Authority received contributions from the Commonwealth of Puerto Rico by $1,063,000.

As of June 30, 2015, debt service requirements for loan agreements are as follows:

Year Ending June 30	Principal	Interest	Total
2016	$ 7,204,254	$ 1,417,210	$ 8,621,464
2017	37,447,277	3,576,648	41,023,925
2018	89,097	192,481	281,578
2019	92,432	188,843	281,275
2020	96,134	184,902	281,036
2021-2025	481,135	860,130	1,341,265
2026-2030	2,310,119	516,162	2,826,281
2031-2035	345,260	9,495	354,755
2036-2040	4,752,853	428,405	5,181,258
	52,818,561	$ 7,374,277	$ 60,192,838
Add: Net premium	60,539		
	$ 52,879,100		

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Puerto Rico Infrastructure Financing Authority
(A Component Unit of the Commonwealth of Puerto Rico)
Notes to Basic Financial Statements
June 30, 2015

13. CHANGES IN LONG-TERM AND OTHER LIABILITIES

Long-term liability activity in the governmental activities for the year ended June 30, 2015, was as follows:

Description	Beginning Balance *(As Restated)*	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities:					
Special Tax Revenue Bonds:					
Series 2005 A, B and C Bonds	$ 1,995,784,999	$ -	$ (32,715,000)	$ 1,963,069,999	$ 34,475,000
Series 2006 Bonds	453,270,000	-	(4,340,000)	448,930,000	4,555,000
Mental Health Infrastructure Revenue Bonds —					
Series 2007 A and B Bonds	37,100,000	-	(700,000)	36,400,000	700,000
Dedicated Tax Revenue Bonds Anticipation Notes:					
Series 2015 A Bonds	-	245,955,000	-	245,955,000	129,060,000
Subtotal	2,486,154,999	245,955,000	(37,755,000)	2,694,354,999	168,790,000
Net premium/(discount)	90,109,922	(17,216,850)	(4,997,269)	67,895,803	-
Unaccreted discount on capital appreciation bonds	(627,022,540)	-	17,211,343	(609,811,197)	-
Total bonds payable	1,949,242,381	228,738,150	(25,540,926)	2,152,439,605	168,790,000
Loans payable:					
Principal	15,193,430	263,980	-	15,457,410	7,204,254
Net premiums	65,175	-	(4,635)	60,540	-
Other Liabilities:					
Liability for legal matters	7,550,000	-	-	7,550,000	-
Accounts payables	179,993	-	(68,000)	111,993	68,000
Compensated absences	229,558	216,842	(215,203)	231,197	231,197
Termination benefits	255,692	562	(41,107)	215,147	41,107
Total governmental activities	1,972,716,229	229,219,534	(25,869,871)	2,176,065,892	176,334,558
Business-type activities					
Loans payable:					
Principal	37,361,150	-	-	37,361,150	-
Total	$ 2,010,077,379	$ 229,219,534	$ (25,869,871)	$ 2,213,427,042	$ 176,334,558

Long-term liabilities are presented in the government-wide statement of net position/(deficit) as of June 30, 2015, as follows:

Description	Amount
Bonds and loans payable - due in more than one year	$ 2,029,324,451
Bonds and loans payable - due in one year	175,994,254
Accounts payable and accrued liabilities - due in more than one year	7,768,033
Accounts payable and accrued liabilities - due in one year	1,886,010
	$ 2,214,972,748

On June 17, 2014, the Commonwealth signed into law Act No. 66 (also known as Fiscal Operation and Sustainability Act), which declared a state of fiscal emergency in order to adopt a plan to manage the economic consequences of the Commonwealth credit rating downgrade, and to establish expenditures reduction measures and a structured management in order to satisfy the commitments of the Commonwealth. This Act establishes as public policy the restoration of the Commonwealth's investment-grade credit rating through the short term elimination of the Commonwealth's general fund deficit and the improvement of the public corporations fiscal condition. Act No. 66 imposes on the public corporations cost reduction measures such as: (i) reduction of at least 10% of external professional services contracts; (ii) authorization to adjust unilaterally the professional services rates; (iii) reduction of at least 10% of the trusted employees; (iv) freezing period for new recruitment of employees; (v) the public corporations cannot provide salary increases or increase benefits to the employees; (vi) establishment of a maximum amount of $600 for Christmas bonus and $200 for summer bonus; (vii) elimination of payment of balances in excess over a maximum days of sick and vacation accruals; (viii) and other cost reduction measures.

Compensated Absences — The activity for compensated absences, included within accounts payable and accrued liabilities in the accompanying statement of net position/(deficit), during the year ended June 30, 2015, is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Compensated absences	$ 229,558	$ 216,842	$ (215,203)	$ 231,197	$ 231,197

Compensated absences are available to be liquidated by the employees during the year.

14. ARBITRAGE

The interest paid by the Authority in the Special Tax Revenue Bonds 2005 Series A and B, Special Tax Revenue Refunding Bonds 2005 Series C and Special Tax Revenue Bond Series 2006 are exempt from federal income tax. As a result, the Authority is subject to Federal Arbitrage Regulations (FAR). FAR requires that arbitrage be calculated and rebated to the federal government at the end of each five-year period that tax exempt debt is outstanding (90 percent of the amount due) and at maturity. Arbitrage calculation for the Special Tax Revenue Bonds 2005 Series A and B, Special Tax Revenue Refunding Bonds 2005 Series C was made on June 2015 with no arbitrage exposure reflected. Arbitrage calculation for the Special Tax Revenue Bonds 2006 Series is schedule to be performed on September 2016. As of June 30, 2015 there is no arbitrage exposure.

15. TERMINATION BENEFITS

On October 13, 2010, the Authority announced to its employees a voluntary termination plan (the Plan) based on Act No. 70 enacted on July 2, 2010. Act No. 70 provides that eligible employees may retire from employment with the Commonwealth in exchange for an early pension, an economic incentive and other benefits. The Plan only applied to employees who were ten years or less from retirement in accordance with their applicable retirement plans as of December 31, 2010. The Plan approved by the Authority's board of directors provides the following:

- The employee will receive an annuity of fifty percent of salary in effect at September 30, 2010. The Authority is responsible for the payment of the annuity in addition to the related employee and employer contributions to the Employees' Retirement System of the Commonwealth of Puerto Rico (the "Retirement System") for a maximum period of ten years.

- The employee will receive an economic incentive of six month's salary. This incentive is exempt from income taxes as established by Act No. 70.

- The employee will receive the benefits of health and dental insurance for a period of one year.

Only one employee was voluntarily separated from employment under the Plan. Total cost related to this termination benefits was $424 thousand. Employee and employer contributions to the Retirement System and the employee annuity for the applicable period were discounted based on the average interest rate of unpledged investments. As of June 30, 2015, the total liability related to this plan was approximately $215 thousand.

16. REVOLVING LOAN FUNDS

Act No. 44 provided for the establishment of the Puerto Rico Water Pollution Control Revolving Fund (the Revolving Fund), a proprietary fund of the Commonwealth, which is administered by the Puerto Rico Environment Quality Board (EQB) and by the Authority in accordance with Title VI of the Water Pollution Control Act (the Clean Water Act) of 1972. The EQB, as the designated instrumentality of the Commonwealth, is empowered to enter into capitalization grant agreements with the U.S. Environmental Protection Agency (EPA), to accept capitalization grant awards made under Title VI of the Clean Water Act and, in conjunction with the Authority, to manage the Revolving Fund in accordance with the requirements of the Clean Water Act, Act No. 44, and the Memorandum of Understanding entered into by and among EQB, PRASA, GDB, and the Authority.

On July 7, 1997, the Legislature of the Commonwealth enacted legislation, which, among other things, established the Puerto Rico Safe Drinking Water Treatment Revolving Loan Fund (the Drinking Water Fund) with the purpose of receiving financial assistance under the Clean Water Act and provides for the participation of the Authority in the administration of said fund.

The net position, revenues, and expenses of these loan funds are not included in the accompanying basic financial statements since the Authority acts only as administrator of the Revolving Fund and the Drinking Water Fund. As of June 30, 2015, the Authority holds cash in a custodian capacity for approximately $9.6 million which is presented as part of restricted cash and cash equivalents with a corresponding liability for the same amount, which is included as part of liabilities payable from restricted assets — accounts payable and accrued expenses in the accompanying statement of net position (deficit).

17. CONDUIT DEBT OBLIGATION

In December 2011, the Authority issued $669,215,000 Special Revenue Bonds, pursuant to a Loan and a Trust Agreement dated December 1, 2011, between the Authority and the Puerto Rico Ports Authority (PRPA), another component unit of the Commonwealth. The proceeds from the bonds were lent to PRPA to refinance certain obligations, acquire real estate for airport and seaport facilities, provide working capital, finance certain operating and capital costs, and finance the cost of issuing the bonds. These bonds are limited obligations of the Authority and are payable solely from and secured by the revenues to be received under the Loan and Trust Agreement. The PRPA shall make loan payments sufficient to cover the payment of principal and interest due on the Bonds. The bonds are also secured by two irrevocable, transferable direct pay letters of credit issued by GDB. Upon repayment of the bonds, ownership of the acquired facilities is retained by the PRPA. The Authority is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the basic financial statements of the issuing entity. As of June 30, 2015, the remaining outstanding balance amounts to $192.8 million.

18. RELATED-PARTY TRANSACTIONS AND OTHER INTERGOVERNMENTAL TRANSACTIONS

During the year ended June 30, 2015, the Authority entered into the following related party transactions:

- Legislative appropriations from the Commonwealth of $117 million were used for debt service payments of the bonds and operating expenses.
- Interest income on interest-bearing demand and time deposits with GDB amounted to approximately $91 thousand.
- GDB provided payroll services to the Authority at fixed amount of $50 thousand.

19. COMMITMENTS — OPERATING LEASES

The Authority leases equipment under noncancelable operating leases. Rent expense for the year ended June 30, 2015, amounted to approximately $390 thousand.

At June 30, 2015, the minimum annual future rentals under noncancelable leases are as follows:

Years Ending June 30	Amount
2016	$ 18,349

20. COMMITMENTS — CONSTRUCTION

The Authority has active construction projects as of June 30, 2015, under various bond issuances. At June 30, 2015, the Authority's commitments with contractors are as follows:

Description	Commitment	Spent-to-Date	Remaining Commitment
Special Tax Revenue Bonds, Series 2005	$ 114,267,276	$ 96,968,959	$ 17,298,317
Special Tax Revenue Bonds, Series 2006	240,117,179	224,153,219	15,963,960
	$ 354,384,455	$ 321,122,178	$ 33,262,277

21. CONTINGENCIES

At June 30, 2015, the Authority is a defendant in various legal proceedings arising from its normal operations. Management, based on the advice of its legal counsel, is of the opinion that the ultimate liability, if any, resulting from these pending proceedings and legal actions in the aggregate will not have a material effect on the Authority's financial statements. However, management is of the opinion that they will reach settlements in certain cases. A liability to cover claims and other contingencies amounting to $7,550,000 has been reflected as part of accounts payable and accrued expenses in the accompanying statement of net position/(deficit).

22. ARRA FUND

The Authority was a sub-grantee of the Office of the Governor of the Commonwealth of Puerto Rico (the Governor's Office) under the State Fiscal Stabilization Fund Program, which was authorized under Title XIV of Division A of the American Recovery and Reinvestment Act of 2009 (the ARRA Act). Among others, the Authority was awarded a $20 million grant for the ARRA Act implementation costs.

Under these ARRA Programs, the Authority is responsible to oversee the administration of all resources awarded to the Commonwealth under the ARRA Act. The Authority will also act as coordinator of efforts and tasks to ascertain ARRA Act funds are properly managed.

23. RETIREMENT SYSTEM

Substantially all full-time employees of the Authority participate in the Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (ERS). The Employees Retirement System is a statutory trust created by Act No. 447 of May 15, 1951, as amended ("Act 447") and a component unit of the Commonwealth of Puerto Rico. The Employees Retirement System covers substantially all employees of the Commonwealth, its component units and the municipalities of Puerto Rico.

On April 4, 2013, the Governor of Puerto Rico, signed into law Act No. 3 of 2013, which represents a comprehensive reform of the Employees' Retirement System. Act No. 3 became effective on July 1, 2013 and amended the provisions of the different benefit structures under the Employees Retirement System as further discussed below.

Members who had entered the Employees Retirement System before January 1, 2000 participated in a defined benefit program. Members who began to participate prior to April 1, 1990 ("Act 447 Participants") were entitled to the highest benefits structure, while those who began to participate on or after April 1, 1990 ("Act 1 Participants") were subject to a longer vesting period and a reduced level of benefits, as provided by Act No. 1 of February 16, 1990 ("Act 1 of 1990").

In 1999, Act No. 447 was amended to close the defined benefit program for new participants and, prospectively, establish a new benefit structure similar to a cash balance plan (this new benefit structure is referred to as "System 2000"). Members who entered the Employees Retirement System on or after January 1, 2000 ("System 2000 Participants") participate solely in System 2000. Prior to the amendment made by Act 3-2013, under the System 2000 benefit structure, a participant was entitled to receive a lump-sum payment, which could be received in full or used to purchase an annuity from a third party, based solely on the amounts contributed in cash by such participant and credited earnings on such cash. Act 3-2013 amended the law to eliminate the lump sum distribution and substitute it for a life annuity payable to the System 2000 Participant. System 2000 Participants do not benefit from any employer contributions. Instead, employer contributions made on account of System 2000 Participants are used to reduce the accumulated unfunded pension benefit obligation of the Employees Retirement System. System 2000 is not a separate plan as there are no separate accounts for System 2000 Participants. Contributions received from System 2000 Participants are pooled and invested by the Employees Retirement System together with the assets corresponding to the defined benefit structure. Thus, future benefit payments under the defined benefit structure of Act 447 and Act 1 of 1990 and the defined contribution structure of System 2000, as amended by Act No. 3 of 2013, will be paid from the same pool of assets of the Employees Retirement System.

Retirement and related benefits provided by the Employees Retirement System, and required contributions to the Employees Retirement System by employers and employees, are determined by law rather than by actuarial requirements. As of July 1, 2011, after the adoption of Act 116 of July 6, 2011 ("Act 116"), the statutory employer contribution for the Employees Retirement System increased from a minimum of 9.275% to a minimum of 10.275% of covered payroll, and will continue to increase annually until fiscal year 2021. The employer contribution rate for fiscal year 2015 is 13.275%.

Required employee contributions for the Employees Retirement System vary according to how the individual employee's retirement benefits are coordinated with social security benefits. Act 3-2013 increased the employee contribution from 8.275% to 10% of covered payroll.

The Employees Retirement System provides basic benefits under the defined benefit program principally consisting of a retirement annuity and death and disability benefits (collectively referred to herein as "Basic System Pension Benefits"). The Employee Retirement System also administers benefits granted under various special laws that have provided additional benefits for the retirees and beneficiaries (collectively referred to herein as "System Administered Pension Benefits"). The System Administered Pension Benefits include, among others, additional minimum pension, death and disability benefits, ad-hoc cost-of-living adjustments and summer and Christmas bonuses. Act 3-2013 and Act 160-2013 amended the various laws providing some of these System Administered Pension Benefits to reduce some of the amounts payable to existing retirees while eliminating the benefits for all future retirees (those retiring after June 30, 2013 and July 31, 2014).

The System Administered Pension Benefits are funded on a pay-as-you-go basis by the participating employers, including the Authority. The System Administered Pension Benefits corresponding to former employees of the Authority are obligations of the Authority. Most of the funds used to cover the System Administered Pension Benefits for other covered employees are required to be paid by the Commonwealth.

The June 30, 2013 actuarial valuations for the Employees Retirement System calculated accounting results for pension benefits under Governmental Accounting Standards Board No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" ("GASB 25"). The Employees Retirement System's actuarial valuation as of June 30, 2014 differs from the actuarial valuation as of June 30, 2013, due to the adoption of GASB Statement No. 67, "*Financial Reporting for Pension Plans*" ("GASB 67"), which replaced GASB 25. GASB 67 specifies certain significant changes for financial reporting purposes, including but not limited to (a) calculation of plan liabilities based on the "entry age normal" method (compared to the "projected unit credit" method used in the prior valuation), (b) calculation of a "depletion date" based on a projection as to the length of time assets will cover projected benefit payments under certain assumptions, and (c) for purposes of valuing the plan's liabilities after the depletion date, use of a discount rate tied to a municipal bond index.

GASB 67 also introduces certain new terminology, including: (i) Total Pension Liability, which is the actuarial accrued liability calculated in accordance with the new GASB 67 requirements, (ii) Fiduciary Net Position, which is the market value of plan assets, net of liabilities (in the case of the Employees Retirement System, Fiduciary Net Position is also equivalent to the previously reported actuarial value of assets), and (iii) Net Pension Liability, which is calculated as Total Pension Liability less Fiduciary Net Position, and is equivalent to the unfunded actuarial accrued liability.

To calculate the net pension liability of the Employees Retirement System, the actuarial valuation uses several actuarial assumptions. Some examples of these assumptions include an expected rate of return of assets, age of retirement of active members, future pay increases for current employees, assumed rates of disability and post-employment life expectancies of retirees and beneficiaries. If the experience of the Employees Retirement System is different from these assumptions, the net pension liability of the Employees Retirement System may increase or decrease to the extent of any variances.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB 68") became effective for the year ended June 30, 2015. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria as is the case of the Employees Retirement System. GASB 68 will bring the effect of GASB 67 summarized above, into the accounting records of the individual agencies, component units and municipalities, whose employees participate in the Employees Retirement System. The Commonwealth, as well as its component units and the municipalities, are considered "cost-sharing" employers of the Employees Retirement System; therefore, they must report their allocated share of the Commonwealth's resulting net pension liability from GASB 67. The Commonwealth and the Employees Retirement System are still in the process of evaluating the impact of GASB 68 and have not provided the Authority with the necessary information as of June 30, 2015 to adopt GASB 68 including its allocated share of the net pension liability mentioned above. Accordingly, these financial statements do not contain any adjustments, disclosures or required supplementary information required by GASB 68.

The pension costs recognized in the accompanying financial statements are equal to the statutorily required contributions, with a liability recorded for any unpaid required contributions.

Total employee contributions for the defined contribution plan during the year ended June 30, 2015, amounted to approximately $94,604 thousand. The Authority's contributions for the years ended June 30, 2015, 2014, and 2013, amounted to approximately $131,223, $130,900, and $115,500, respectively. These amounts represented 100% of the required contribution for the corresponding year.

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24. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 15, 2016, the date in which the financial statements were available to be issued. The following are the major events:

PFC Bonds

The PFC Bonds are limited obligations of PFC payable solely from proceeds of payments of principal of and interest on certain promissory notes (the Notes) issued to PFC by certain departments, agencies, instrumentalities and public corporations (the Authorized Debtors) of the Commonwealth, which Notes are in turn payable solely from budgetary appropriations approved annually by the Legislature of Puerto Rico pursuant to certain legislation (the Appropriations Acts). The Authority is one of the Authorized Debtors under the Notes (see Note 12).

The Appropriation Acts required the Office of Management and Budget of the Commonwealth (OMB) to include the amounts required to pay debt service on the Notes in the proposed annual budget of the Commonwealth that is submitted by the Governor to the Legislature of Puerto Rico. However, the Legislature of Puerto Rico is not legally required to appropriate funds for such payments. The non-appropriation of funds payments on the Notes resulted in a lack of proceeds available under the Notes to pay the principal and interest due on the PFC Bonds. The debt service payments of the PFC Bonds are payable solely from proceeds of the Notes, and the PFC Bonds are limited obligations of PFC and not of any Commonwealth entity. Therefore, in the event of a non-appropriation of funds and the resulting lack of payment of the PFC Bonds, bondholders have no recourse to other assets of the Authorized Debtors or of PFC, nor do they have recourse against the Legislature of Puerto Rico, the Commonwealth or other governmental entities of the Commonwealth.

Due to the non-appropriation of funds for the payment of the Bonds in the annual budget for fiscal year 2016, none of the payments on the Notes, nor the corresponding payment on the PFC Bonds, that have come due and payable this fiscal year have been made in full. As publically disclosed by GDB and PFC following the approval of the annual budget for fiscal year 2016, the non-appropriation of the necessary funds to make the payments on PFC Bonds reflects the reality of the Commonwealth's current liquidity situation and fiscal challenges, in combination with the balance of the Commonwealth's obligations to its creditors and the equally important obligations to the citizens of Puerto Rico to ensure the provisions of essential services. As of the date hereof, GDB is unaware of any claims being asserted by holders of the PFC Bonds or the PFC Bonds trustee under the governing agreement and/or the Notes in connection with the missed payments on the PFC Bonds.

Investments

On July 14, 2015, Standard & Poor's Investor Services (S&P) lowered its rating on the investments held by the Authority in GDB senior notes from CCC- to CC and COFINA subordinate-lien bonds from A+ to CCC-. In addition, on September 10, 2015 S&P lowered its rating on the Commonwealth's tax-backed from CCC- to CC.

Executive Order

On December 1, 2015, the Governor signed Executive Order No. OE-2015-46 (the "Executive Order"), which provides that the Commonwealth will begin to redirect certain revenues in light of recently revised revenues estimates and its deteriorating liquidity situation. Pursuant to the Executive Order, certain available revenue that have been budgeted to pay debt service on the debt of the Authority will be redirected, pursuant to the constitutional requirements (the clawback provision), to pay debt issues or guaranteed by the Commonwealth. The Secretary of the Treasury will retain, for the application to payments due on the Commonwealth's public debt, approximately $113 million assigned to pay debt of the Authority which by law, constitute "available resources" subject to the Commonwealth's priority provision set forth in the Constitution.

Default

Due to the implementation of the Executive Order No. OE-2015-46 described above, the Authority did not transfer sufficient funds to the Trustee to make the $35.9 million in interest payment in full in respect of the January 1, 2016 payment date for its outstanding Series 2005A-C and Series 2006 Special Tax Revenue Bonds, issued pursuant to the Trust Agreement, between the Authority and U.S. Bank Trust National Association, as successor trustee (the "Trustee"), dated as of October 1, 1998, as amended. The Trustee has applied funds already on deposit in the Bond Service Account pro-rata to the January 1, 2016 interest payment under the Bonds.

Downgrade

On January 5, 2016, Standard & Poor's Rating Services (S&P) lowered its rating on the Authority bonds secured by federal rum taxes to D from CC due to the Authority's default on scheduled interest payments due in January 1, 2016